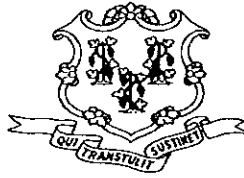


# The Connecticut General Assembly



## Testimony of State Representative Michelle Cook before the Banks Committee

February 10, 2011

### **H.B. No. 5355 AN ACT CONCERNING MORTGAGE ESCROW PAYMENTS**

Senator Duff, Representative Tong and members of the Banks Committee, I am State Representative Michelle Cook from Torrington's 65<sup>th</sup> Assembly District. I am here today as a supporter and co-sponsor of **HB 5355, AN ACT CONCERNING MORTGAGE ESCROW PAYMENTS** and am also speaking on behalf of State Representative Roberta Willis who sponsored this bill.

Currently, mortgage servicing companies can require a homeowner to pay into their escrow account more than is needed to pay the insurance premium and property taxes. They can increase the monthly escrow payment amount to create a larger account or a "reserve", for future property tax or insurance premium increases.

This bill would eliminate excessive and unnecessary charges, keeping the money in the homeowners' bank accounts, not in the hands of the mortgage service company's. I'd like to read the following brief testimony from Belle McCartan of Torrington, who writes:

I am sorry that I cannot attend the hearing. The issue is very important to me, but I need to work so I can continue to pay my bills.

I am a homeowner in Torrington and I am writing because even though I was not happy with the extra real estate taxes I am paying each month. I received a letter from my mortgage company stating that I would be paying \$200 more a month, not the \$80 extra that I had budgeted for when taxes went up. When I spoke with the customer service person at People's, she explained that I would be expected to pay an extra 2 months of my yearly taxes over the next twelve months. Then I cried and stated that I was having problems paying my mortgage and an extra two months would break me.

Even though I should I have been glad that it was only 2 months extra, what or who would stop the bank from charging me the extra two months escrow each time I have an increase in my taxes. It is bad enough that my property is appraised by the town for \$60,000 over its value, but to be taxed on that amount and then escrowed in excess is unnecessarily unfair.

There are 2 things that disturb me the most about how escrow accounts are currently managed.

(1) The mortgage company doesn't need the extra 1/6 amount for escrow because they know what they need to collect on a monthly basis.

(2) If someone is having a hard time making their mortgage payments, the extra amount could cause them to lose their home.

I used to live in New York and if the mortgage company had more than \$10 in my escrow account, they were required by law to refund me my money. I believe that as you start your New Year in office that you put into effect a law that would stop banks from holding monies in escrow for expenses like insurance and taxes that are in excess of the insurance and taxes that are actually owed.

I recommend the same limit of \$10 be set in Connecticut and any amount in excess be returned to the homeowner.

This is something you, as our State Representatives, can do that would not cost the state anything and could help people keep their homes. Sincerely, Belle McCartan, Torrington.

**I urge the committee to support HB 5355.** Thank you for the opportunity to speak on this issue.

Sincerely,

Michelle Cook, State Representative 65<sup>th</sup> District  
Roberta Willis, State Representative 64<sup>th</sup> District